

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

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ABF-01 FSE-00 /075 W

-----078908 060456Z /13

R 052301Z JAN 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5858

INFO AMEMBASSY LONDON

AMEMBASSY LONDON

AMEMBASSY PARIS

ALL OTHER CONGENS IN CANADA

UNCLAS OTTAWA 00062

USOECD

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: TERMS OF 1.5 BILLION STANDBY CREDIT

REFS:A.OTTAWA 9421, B. OTTAWA 10123 (NOTAL)

1. GOC HAS CONCLUDED TERMS WITH ELEVEN CANADIAN CHARTERED BANKS FOR U.S. DOLS 1.5 BILLION LINE OF CREDIT ANNOUNCED OCTOBER 27 (REF A).

2. FUNDS DRAWN DOWN WILL CARRY INTEREST RATE OF 62.5 BASIS POINTS ABOVE LONDON INTERBANK OFFER RATE (LIBOR) FOR FIRST THREE YEARS, AND 75 BASIS POINTS ABOVE LIBOR FOR FINAL FOUR YEARS. GOC WILL PAY 37.5 BASIS POINTS FEE ON THE UNDRAWN AMOUNTS IN THE FUND. FUND CAN BE REDUCED IN U.S. DOLS 25 MILLION INCREMENTS AT OPTION OF GOC IF IT DECIDES FULL 1.5 BILLION IS NOT NECESSARY.

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3. AGREEMENT SETS LIMIT OF U.S.DOLS 300 MILLION AS MAXIMUM ALLOWABLE ADVANCE IN ANY ONE DAY. GOC IS ENTITLED TO BORROW FOR TERMS OF ONE, TWO, THREE, OR SIX MONTHS. AMOUNTS REPAID CAN BE REBORROWED DURING THE SEVEN YEAR PERIOD. GOC CANNOT BORROW MORE FROM FUND THAN WOULD BE ALLOWED BY PARLIAMENTARY BORROWING AUTHORIZATIONS IN FORCE AT THE TIME.

4. CANADA'S BIG FIVE CHARTERED BANKS (BANK OF MONTREAL, BANK OF NOVA SCOTIA, CANADIAN IMPERIAL BANK OF COMMERCE, ROYAL BANK, AND TORONTO-DOMINION BANK) WILL EACH MAKE AVAILABLE UP TO U.S. DOLS 270 MILLION. OTHERS PARTICIPATING ARE BANK CANADIAN NATIONAL (65 MILLION); PROVINCIAL BANK (50 MILLION); MERCANTILE BANK (20 MILLION); BANK OF UNCLASSIFIED

BRITISH COLUMBIA (20 MILLION); CANADIAN COMMERCIAL AND INDUSTRIAL BANK (3 MILLION); AND THE NORTHLAND BANK (2 MILLION).

5. THE MERE ANNOUNCEMENT OF THE STANDBY CREDIT IN OCTOBER HAD THE EFFECT OF LARGELY STABILIZING THE CANADIAN DOLLAR WHICH HAD BEEN SLIDING BADLY. GOC ANNOUNCEMENT SAID CREDIT WAS TO PERMIT THE GOC EXCHANGE FUND TO REPLENISH ITS HOLDINGS OF U.S. DOLLARS "IF AND WHEN CIRCUMSTANCES REQUIRE". THE BUILDUP OF U.S. DOLS 417 MILLION OF OFFICIAL INTERNATIONAL RESERVES IN DECEMBER (OTTAWA 037), SUGGESTS THERE WILL NOT BE NEED TO DRAW ON THIS CREDIT IN THE NEAR FUTURE. ENDERS

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